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Clerk to Panel on Economic Development  
(Attn.: Ms. Shirley CHAN)  
Legislative Council Complex  
1 Legislative Council Road  
Central, Hong Kong  
(Fax: 2840 0269)

19 August 2020

Dear Ms. CHAN,

**Panel on Economic Development  
Letter from Hon WU Chi-wai dated 23 June 2020**

I refer to your letter of 24 June 2020 enclosing a letter from Hon WU Chi-wai dated 23 June 2020 requesting further update on Hong Kong Disneyland Resort (“HKDL”). Having consulted the management company of HKDL, we provide our response as follows.

*Challenges faced by HKDL and its operating financials*

HKDL is currently facing a very challenging operating environment amidst the coronavirus disease 2019 (i.e. COVID-19) pandemic and the related travel restrictions which have severely affected the tourism industry worldwide. In response to market uncertainties, the management company of HKDL has kept under constant review the strategies for HKDL’s operation and development. In fact, since the tourism downturn from the second half of 2019, HKDL has implemented swiftly prudent cost management measures, such as renegotiation of vendor contracts, reduced and reallocated market resources, as well as encouraging clearance of paid leave and participation in the one-day-per-week unpaid leave arrangement by all staff.

Despite the re-opening of HKDL’s theme park in mid-June 2020 after its five-month closure due to the COVID-19 epidemic, it has suspended operation again in mid-July 2020 in compliance with the statutory requirement in view of the resurgence of local COVID-19 confirmed cases since early July 2020. Notwithstanding the uncertainties of the COVID-19 development, the management company would continue to spare no efforts in driving HKDL’s



business forward with suitable strategies, including targeted marketing and sales initiatives, cost containment measures, as well as launching new offerings at opportune junctures to stimulate visitation.

Amidst the challenging market situation, HKDL should still be able to manage its operation with existing financial resources in the years ahead. In fact, HKDL recorded positive earnings before interest, taxes, depreciation and amortisation in the past ten years consecutively, contributing to HKDL's financial resilience. In case of short-term liquidity needs, HKDL may utilise the funds under the revolving credit facility of up to HK\$2,100 million as provided by The Walt Disney Company ("TWDC")<sup>1</sup>. Details of HKDL's financial situation, including operating costs, liabilities and cash position, would be reported to the Panel on Economic Development during the annual update on HKDL.

#### *Multi-year expansion and development plan*

On the multi-year expansion and development plan of HKDL as approved by the Finance Committee of the Legislative Council in 2017 ("the Plan"), various new attractions have been rolling out progressively from 2018 onwards, including the "Moana: A Homecoming Celebration" stage show in May 2018 and the "Ant-Man and The Wasp: Nano Battle!" ride in March 2019. Other new attractions coming on stream include the "Castle of Magical Dreams" scheduled for launch in end-2020 which will feature its day time and night time shows, as well as the new themed areas based on "Frozen" and "Marvel" in the pipeline.

Under the prolonged COVID-19 pandemic, theme park temporary closure and uncertain market situation, it is inevitable that the remaining projects under the Plan would be affected, but confirming and concluding the impact at this stage appears to be premature when the pandemic is still developing. The actual time of opening of the new attractions under the Plan would depend on, amongst other factors, progress of works and market situation as mentioned in the relevant Finance Committee paper (FCR(2017-18)1), so as to ensure their conduciveness and synergy with HKDL's business. As per the established practice, the progress of the Plan would be reported to the Panel on Economic Development during the annual update on HKDL, and the Government's investment in the Plan is reported in the annual estimates for the Capital Investment Fund.

As regards the economic and financial return of the Plan, the Government's assessment made in 2017 in the relevant Finance Committee paper (FCR(2017-18)1) takes into account different scenarios including those with more conservative projections. Even under the sensitivity test with very prudent

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<sup>1</sup> This revolving credit facility does not involve a guarantee from the Government.

assumptions, the Plan is still likely to bring about considerable net economic benefits and reasonable level of financial return over the operating period of 20 years or more. The current COVID-19 pandemic is, in comparison, a relatively short-term factor, and the previous assessment made over a much longer-term horizon is still relevant.

*Future development of HKDL*

Regarding the Option arrangements for the site to the east of the existing HKDL that is originally planned for HKDL's potential Phase 2 development, we will make public announcement at an appropriate juncture.

Yours sincerely,



( Jason CHAN )

for Commissioner for Tourism

**c.c.**

Hon CHUNG Kwok-pan (Chairman of the Panel on Economic Development)  
(Fax: 2813 6150)